

Message Text

LIMITED OFFICIAL USE

PAGE 01 ROME 09533 091723Z

ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 USIA-06 AID-05 NSC-05
EPG-02 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04
SIL-01 /081 W

-----100329Z 004325 /65

R 091550Z JUN 77

FM AMEMBASSY ROME

TO SECSTATE WASHDC 5198

TREASURY DEPT WASHDC

LIMITED OFFICIAL USE ROME 9533

E.O. 11542: N/A

TAGS: EFIN, IT

SUBJECT: FURTHER DISMANTLING OF LIRA PROTECTIVE MEASURES

REF: A. 1976 ROME 16171

B. 1976 ROME 7543

PASS FRB

1. EFFECTIVE JUNE 10 THE REQUIREMENT THAT ITALIAN EXPORTERS
FINANCE OFFSHORE 50 PERCENT OF CERTAIN EXPORT CREDIT CONTRACTS IS
HALVED TO 25 PERCENT. THIS REQUIREMENT WAS ESTABLISHED AT THE LEVEL O
F 30 PERCENT IN MAY 1976 AND RAISED TO 50 PERCENT LAST OCTOBER
AS AN EMERGENCY MEASURE TO STABILIZE THE LIRA. THE REQUIREMENT
COVERS EXPORTS INVOICED IN FOREIGN EXCHANGE AND PAYABLE WITHIN
120 DAYS. EXPORTERS NOW ARE OBLIGED TO FINANCE IMMEDIATELY
25 INSTEAD OF 50 PERCENT OF THE VALUE OF SUCH EXPORTS IN FOREIGN
EXCHANGE. THIS MEASURE REQUIRES EXPORTERS TO BORROW
ABROAD TO MEET THIS OBLIGATION, WHICH STRENGTHENS THE LIRA EX-
CHANGE RATE
BY RAISING THE SUPPLY OF FOREIGN EXCHANGE AND THE
DEMAND FOR LIRA IN THE FOREIGN EXCHANGE MARKET.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 ROME 09533 091723Z

2. THIS MOVE COMES AT THE BEGINNING OF SEASONALLY STRONG
PERIOD FOR THE LIRA, I.E., THE MONTHS OF MAXIMUM RECEIPTS FROM
TOURISM, AND AFTER AN ENORMOUS BUILD-UP OF ITALIAN BANK BORROWINGS
FROM FOREIGNERS. THE NET-FOREIGN DEBTOR POSITION OF ITALIAN
BANKS WAS \$5.7 BILLION IN MID-MAY, UP FROM \$3 BILLION AT END 1976.
A SIGNIFICANT, PERHAPS MAJOR, PART OF THIS INCREASE HAD BEEN

STIMULATED BY THE FOREIGN EXCHANGE FINANCING OF EXPORTS REQUIRE-
MENT. DURING THE EARLIER MONTHS OF THIS YEAR, THE GROWING FOREIGN
INDEBTEDNESS OF THE BANKS SERVED TO FINANCE THE DEFICIT OF THE
BALANCE OF PAYMENTS. DURING THE RECENT PERIOD, HOWEVER, IT HAS
CONTRIBUTED TO AN INCREASE IN OFFICIAL RESERVES AND IS NOT
NEEDED IN THE NEAR TERM. THE PRACTICAL EFFECT OF THE REDUCTION
OF THIS PARTICULAR CAUSE OF FOREIGN BORROWING MAY NOT BE
LARGE, HOWEVER, BECAUSE THERE REMAIN IN PLACE THE CEILINGS ON
BANK LIRA LENDING, WHICH ALSO ACT AS A STRONG STIMULUS TO
BORROWING ABROAD.
HOLMES

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CREDIT, EXPORTS, FINANCIAL PROGRAMS, AMENDMENTS, CURRENCY CONTROLS
Control Number: n/a
Copy: SINGLE
Sent Date: 09-Jun-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977ROME09533
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770207-0044
Format: TEL
From: ROME
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770673/aaaacmcb.tel
Line Count: 73
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ab231782-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2213591
Secure: OPEN
Status: NATIVE
Subject: FURTHER DISMANTLING OF LIRA PROTECTIVE MEASURES
TAGS: EFIN, IT
To: STATE TRSY
Type: TE
vdkgvkey: odbc://SAS/SAS.dbo.SAS_Docs/ab231782-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009